

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**
300 Capitol Mall, 17th Floor
Sacramento, California 95814

RH05049272

June 6, 2006

SUMMARY AND RESPONSE TO PUBLIC COMMENTS

**PROPOSED AMENDMENT OF CCR TITLE 10, SECTION 2697.6 COVERAGE
TYPES AND LIMITS**

1. Commentor: Michael Paiva, Personal Insurance Federation of California
Date of Comment: May 11, 2006
Type of Comment: Written

Summary of Comment:

No changes to the proposed regulations were requested.

The PIFC supports the adoption of the regulations proposed by the Department in RH05049272. The CEA Governing Board has approved an overall rate reduction and has voted to increase building-code-upgrade coverage and to unbundle the supplemental limits packages. The CEA Governing Board intended that all these changes be "rolled out" at the same time and the PIFC companies endorse the uniform "roll-out." Adoption of these regulations will facilitate the prompt and seamless implementation of the rate reduction and changes to supplemental coverages.

Response to Comment: Accepted

2. Commentor: Joe Zuber, California Earthquake Authority
Date of Comment: May 31, 2006
Type of Comment: Oral

Summary of Comment:

No changes to the proposed regulations were requested.

The CEA urges that the proposed amendments be approved. The proposed language is a result of consultation with representatives from the Department of Insurance, participating insurers, consumer groups, citizens and other interested parties.

The proposed regulations address policyholders varying needs concerning loss of use and contents coverage by providing new optional coverages. In addition, the proposed regulations address consumer concerns regarding increased building code standards and will give policyholders more flexibility in choosing the amount of building-code-upgrade coverage.

Due to the passage of the emergency regulations, the CEA has already offered the new optional coverages to policyholders whose policies are near renewal. Without approval of the proposed regulations, these offers will have to be withdrawn and will cause administrative problems for the CEA and its participating insurers. It will also anger policyholders.

Response to Comment: Accepted

3. Commentor: Elaine Bush, California Earthquake Authority
Date of Comment: May 31, 2006
Type of Comment: Written

Summary of Comment:

No changes to the proposed regulations were requested.

In the CEA Governing Board's judgment, the proposed regulations address the interests of California and will be significantly beneficial. The proposed amendments are needed to increase market penetration for the CEA. They will remove outdated restrictions on the coverages so that the CEA can offer a broader variety of options to its customers. With the options set forth in the proposed regulations, the CEA will be better able to influence residential insurance customers to purchase or increase earthquake coverage. Without the options, the CEA will lose significant momentum in achieving increased market penetration, participating insurers will incur major costs, and customers will be disappointed.

Response to Comment: Accepted

4. Commentor: Association of California Insurance Companies
Date of Comment: May 31, 2006
Type of Comment: Written

Summary of Comment:

No changes to the proposed regulations were requested.

The ACIC supports the permanent adoption of the amendments to the CEA regulations as set forth in the proposed amendments. The amendments provide CEA policyholders

greater flexibility in choosing supplemental coverages and broader building-code-upgrade coverages.

Response to Comment: Accepted

5. Commentor: Amy Bach, United Policyholders

Date of Comment: May 31, 2005

Type of Comment: Written

Summary of Comment:

No changes to the proposed regulations were requested.

United Policyholders supports the adoption of the proposed amendments. The proposed amendments will contribute to addressing a serious problem in California, homeowners without earthquake insurance. The proposed regulations will increase consumers' options for purchasing earthquake insurance and will make the policies more appealing to a larger number of property owners. This will lead to an increase in the number of California homeowners with earthquake insurance and will be substantially likely to reduce the existing threat that homeowners without such insurance pose to California.

Response to comment: Accepted